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SUBJECT: REPORT OF 20TH GLOBAL FUND BOARD MEETING NOV 9-11, 2009

SUMMARY

1. The Global Fund to Fight AIDS, Tuberculosis (TB), and Malaria (Global Fund) held its 20th Board meeting on November 9-11, 2009, in Addis Ababa, Ethiopia. The U.S. government (USG) holds a permanent seat on the Global Fund Board and works through the Board to make funding decisions and provide strategic direction to the Global Fund. With USG support, the Global Fund Board approved \$2.38 billion of new grants to fight AIDS, TB, and malaria; took steps to enhance the engagement of implementing countries in Global Fund governance; approved changes in the Global Fund grant architecture designed to simplify the grant architecture and encourage a more holistic, program-based approach at the country level; and agreed to explore the possibility of a joint funding platform for health systems strengthening (HSS) with the Global Alliance for Vaccines and Immunizations (GAVI) and the World Bank. The U.S. was represented by an interagency delegation led by the USG Board Member Ambassador Eric Goosby (U.S. Global AIDS Coordinator, Department of State), Alternate Board Member John Monahan (Interim Director, Office of Global Health Affairs, Department of Health and Human Services), and Adm. Tim Ziemer (Coordinator, President's Malaria Initiative, USAID). End summary.

2. Background. The Global Fund is a public-private financing mechanism established to mobilize and distribute resources to combat AIDS, TB, and malaria worldwide. The USG strongly supports the Global Fund as an essential component of our overall response to these three diseases. The USG is the largest single donor to the Global Fund, having contributed approximately \$3.5 billion since 2002 and pledged an additional contribution of \$1 billion in FY 2009. To date, the Global Fund Board has approved \$18.4 billion in grants to 144 countries, supporting country-led efforts to provide HIV/AIDS treatment for over 2.3 million people, provide TB treatment for 5.4 million people, and distribute 88 million bednets for malaria prevention.

Board Dynamics

3. The 20th Board meeting was chaired by the Ethiopian Minister of Health Tedros Adhanom Ghebreyesus and vice-chaired by Canadian International Development Agency (CIDA) Health and Education Director-General Ernest Loevinsohn. Both were elected to these positions in mid-2009 for two-year terms; this was their first Board meeting serving as Board Chair and Vice-Chair. Minister Tedros has proved a capable chair in other international settings and, while new to the Global Fund Board, has a strong interest in the Global Fund's success. Ethiopia is the largest recipient of Global Fund grant resources, with \$1.335 billion in approved funding to date.

4. The 20th Board meeting ran smoothly, with delegations from both the donor and implementing blocs working together constructively on key governance and funding decisions. Nevertheless, there was a

general sense, particularly among the donor bloc, that the Board did not fully address increasingly critical strategic issues around resource mobilization, allocation of resources, and grant performance and management. The Board decided to hold a retreat in January or February 2010 to address these issues in more depth. The donor bloc also agreed to reinvigorate an informal, intersessional donor consultation process. Mr. Loevinsohn offered to continue coordinating the donor consultation process in the near term.

Funding Decisions

15. The Global Fund operates under a demand-driven model and the Board approves grants based on technical merit, as assessed by an independent Technical Review Panel (TRP). To date, the Board has approved every technically sound grant recommended for funding by the TRP. However, for the second funding cycle in a row, the Board was faced with a significant gap between the TRP-recommended ceiling and available resources. In preparation for the 20th Board meeting, the USG worked through a Working Group of the Board to identify ways to manage this tension between supply and demand. The Working Group developed a number of cost-savings recommendations, including an across-the-board budget cut of 10% for all Round 9 and NSA proposals, discontinuation of the Rolling Continuation Funding channel, and adoption of two-phase funding decisions for approved grants such that the financial impact of the grant approvals is spread more evenly across the grant lifecycle. The Global Fund Board approved all of these cost-saving measures, allowing it to approve, in principle, all TRP-recommended grant proposals. The Board also endorsed the broad lines of thinking contained in the Working Group's report around resource mobilization and managing demand over the longer term. The Board agreed to continue

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discussions on these topics on an urgent basis, including through a Board retreat to be held in early 2011.

16. The Board approved \$2.38 billion in new grants under Round 9 and two pilot initiatives – the National Strategy Application (NSA) funding channel and the Affordable Medicines Facility for malaria (AMFm). The full list of approved and rejected grants is available online at www.theglobalfund.org/en/funding-decisions.

17. The Board approved funding for 90 Round 9 grant proposals in 69 countries, including two countries that had not previously received Global Fund grants (Mexico and Turkmenistan), five NSA proposals, and ten AMFm proposals.

18. The Board approved funding for five of seven NSA proposals: China (malaria), Madagascar (malaria), Nepal (tuberculosis), and Rwanda (HIV/AIDS and tuberculosis). The NSA funding channel is a pilot initiative that allows countries to use their existing national disease strategy as the basis of a funding request. The TRP did not recommend, and thus the Board did not approve, the two remaining NSA proposals (Kenya and Malawi, both for HIV/AIDS). Both Kenya and Malawi have been afforded the opportunity to appeal the TRP recommendation through the usual appeals process, which requires applicants to demonstrate the TRP made a "significant and obvious error" in its technical review.

19. The Board also approved AMFm proposals in nine African countries and Cambodia. The AMFm funding channel is a pilot initiative aimed at expanding access to, and affordability and use of, artemisinin-based combination therapies (ACTs). In approving the AMFm proposals, the Board also clarified its intent that the Global Fund will only expand beyond a pilot program based on evidence that the initiative is likely to achieve its stated goals. The Board requested the AMFm Ad Hoc Committee to make a recommendation, based on an independent evaluation of the pilot phase, to the Board at its first meeting in 2012 on whether to expand, accelerate, modify, or terminate the AMFm business line.

110. The Board also approved, on an exceptional basis, the extension of a Global Fund Round 3 grant in Russia focused on HIV/AIDS prevention among highly vulnerable groups, including intravenous drug users, sex workers, men who have sex with men, street children, migrants, and prisoners; the decision approved \$24 million over two

years for this work. The Board stressed the extraordinary nature of this decision, noting that while Russia is not currently eligible for Global Fund funding under its income eligibility criteria, these eligibility criteria are under review and may be revised in 2010 to allow the Global Fund to continue support for particularly vulnerable populations in countries that might otherwise be ineligible for funding based on income levels. In approving the extension of the prevention program, the Global Fund Board urged the government of the Russian Federation to expand investment in life-saving, evidence-based prevention services for vulnerable populations. (Comment: The Government of the Russian Federation is transitioning from Global Fund recipient to donor and has contributed more than \$225 million to the Global Fund. The Russian Federation has accepted financial responsibility for most of the HIV/AIDS programs previously supported by Global Fund financing, but has chosen not to provide continued funding for Round 3 prevention program. The Global Fund Secretariat and international partners have tried without success to persuade the Russian government to provide financial support for this program. The key stumbling block appears to be lack of political will within the Russian government, rather than resource constraints. At the same time, key bilateral donors including the USG are scaling back their HIV/AIDS programs in Russia and do not currently have sufficient resources to pick up these services in the near term. End Comment.)

Launch of Round 10

¶11. The decision around the timing and scope of Round 10 was one of the most heavily negotiated decisions at the 20th Board meeting. Given the large unmet need for services in all three disease areas, there was broad support among all delegations for ensuring continued access to Global Fund financing through new grant rounds and for transitioning to the new grant architecture as quickly as possible. However, there were different perspectives on how quickly to move forward with launching a new call for proposals given the time needed to operationalize the new grant architecture and current resource constraints. Ultimately, the Board agreed to hold a retreat in January or early February 2010 to address key strategic issues such as prioritization of funding amongst grant proposals, the Global Fund's operating model, and implementation of the new grant architecture. The Board further agreed to launch Round 10 on or about May 1, 2010, with funding decisions to be made between November 2010 and January 2011, with the launch of Round 10 to be confirmed at its 21st Board meeting, based primarily on progress in

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incorporating the new grant architecture.

Support for Implementing Partners

¶12. In recognition of the critical role of implementing countries and partners in the Global Fund governance processes, the Board approved two decisions aimed at enhancing their participation. The Board approved financial support of up to \$800,000 annually for intra-constituency communications, coordination and participation in Global Fund meetings. The Board also approved increased translation and interpretation services, limited initially to two languages in addition to English.

Grant Architecture Reform

¶13. The Board approved changes to its grant architecture designed to simplify management of Global Fund financing and encourage greater alignment between grant proposals and national disease strategies. The new grant architecture is based on "one stream of funding per Principal Recipient per disease" and aims to reduce the reporting burden on implementing countries by consolidating grant proposals and reporting cycles. The Board and its committees will continue to provide oversight and direction to the Global Fund Secretariat as it refines and rolls out the new grant architecture.

Health Systems Strengthening (HSS)

¶14. The Board approved a decision point requesting the Secretariat to explore the operational, financial, and policy implications of a potential joint HSS funding and programming platform with GAVI and the World Bank. The Board emphasized the importance of close consultation with the Board's Policy and Strategy Committee and requested the Secretariat to present a proposal to this committee on how a joint HSS platform could be operationalized and funded, for consideration and recommendation to the Board at its 21st Meeting in early 2010.

Other Decisions

¶15. The Board adopted a number of additional decisions on issues such as the 2010 Operating Expenses budget, quality assurance for pharmaceutical products, the Global Fund's partnership strategy, risk management framework, and support for the Office of the Inspector General. The full text of all decisions taken at the 20th Board meeting is available online at www.theglobalfund.org/documents/board/20/GF-BM20-DecisionPoints_en.pdf. A report containing USG positions on each Board decision will be posted on www.pepfar.gov.

Next Meeting

¶16. The Global Fund Board will hold a retreat in early 2010 to discuss key strategic issues. Global Fund Board retreats are typically restricted to Board Members and Alternates in order to facilitate open, frank discussions. The Board will hold its 21st regular meeting in April/May 2010 in Geneva. The Governments of Brazil and Yemen both offered to host the 22nd Board meeting in November 2011.
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